

INTRODUCTION TO PEP

OVERVIEW

Pre-Examination Planning (PEP) requires a detailed analysis of data:

- Requested from and provided by the financial institution
- Available in FDIC Regional and Field Offices
- Contained in the FDIC's database

As part of the examination process, procedures will focus examination efforts and reduce on-site examination time.

This part of the manual establishes procedures, guidelines, and time frames within which PEP activities must be conducted. Each section of this part provides specific time frames for conducting PEP procedures. In addition, samples of documents to be used when conducting PEP procedures have been included at the end of this part.

Objective(s)

The objective of the PEP procedures is to improve the efficiency of the examination process through the implementation of standardized and effective pre-planning procedures.

In Part II

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NOTE: All attachments are provided to the examiner through the automated Report of Examination in electronic format to allow the examiner to customize information requests for each financial institution.

**CIR AND
CDR**

The Compliance Information Request (CIR) and Compliance Document Request (CDR) have been designed to request:

- Information to be returned by the institution for use during PEP
- Documentation to be made available for the commencement of the on-site examination

The CIR and CDR are included as sample documents at the end of this part. Both documents have two versions, for use with either small or large institutions as defined by the revised CRA regulation:

- Small [sml]
These should be used with all institutions that meet the small bank definition in the CRA regulation.
- Large [lrg]
-- These should be used for all institutions that meet the large bank definition of the CRA regulation

**GENERAL
PROCESS**

PEP procedures will be conducted by the Field Office Supervisor (FOS), the Examiner-in-Charge (EIC), or a designee. Field office support staff should be utilized to the extent possible. The majority of the PEP procedures will take place at the field office; however, there may be instances in which the examiners perform some of the PEP at the bank.

NOTE: The individual that performs the analysis portion of PEP should, in most instances, participate in the examination. This individual will be expected to perform mapping analysis, if applicable. A greater benefit will be realized if the individual performing PEP actively participates in that examination. PEP was created, in part, to provide the financial institution with an examination staff fully aware of its community and business.

General Procedures	
Two Months Prior to the Examination	
1.	<p>The EIC or the FOS should place a courtesy phone call to the President/CEO of the financial institution to verify the names of senior management and the mailing address for the PEP package.</p> <p>During this conversation the EIC or FOS should:</p> <ul style="list-style-type: none"> • Verify the type of CRA examination that the institution will be evaluated under <p>For example, a small institution may wish to be evaluated under the lending, service, and investment tests.</p> <ul style="list-style-type: none"> • Determine whether the institution would prefer to forward some of the material from the Compliance Document Request (CDR) to the field office for off-site review

**GENERAL
PROCESS
(cont'd)**

<ul style="list-style-type: none"> Emphasize to the President/CEO that it is an option to both select and forward the material from the CDR to the field office
<p>2. The following PEP material must be prepared and mailed to the financial institution:</p> <ul style="list-style-type: none"> Entry Letter <p><i>Note: The examiner may utilize the FDIC letterhead located in the automated Report of Examination (ROE) under Auto Menu-Administrative Forms-Letterhead w/Seal. The document provides prompts for field office, street address, city, state and zip.</i></p> <ul style="list-style-type: none"> Compliance Information Request (CIR) Compliance Document Request (CDR) Diskette with CIR in WordPerfect 6.1 or Microsoft Word Return Postage
<p>3. The financial institution will return the CIR and the documents requested in the CIR to the field office within 30 days of receipt of the PEP material listed above. If the institution has chosen to provide material from the CDR for off-site review, these documents should be returned along with the CIR material.</p>

One Month to Five Days Prior to the Examination

4. If the distance between a financial institution and the field office is reasonable, the person conducting PEP may contact the institution about the feasibility of visiting the institution and collecting material from the CDR not previously forwarded to the field office for offsite review.
- This may also be a good opportunity to review the financial institution's internal/external audit reports and workpapers if there is some type of audit program in place. A review of audit reports and workpapers should help the EIC determine the scope of the examination.

Three to Five Days Prior to the Examination

5. The person performing the PEP analysis will review:
- FDIC files
 - FDIC database
 - CIR and CDR, if the financial institution chose to provide the documents for off-site review
 - Demographic data
 - Community contacts files

**GENERAL
PROCESS
(cont'd)**

6. The EIC may choose to conduct or schedule community contacts.
7. The EIC will telephone the financial institution to notify management of the start of the examination and plan the initial meeting with management.

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| 8. | In conjunction with the completed PEP Memorandum Datasheet, a PEP Memorandum will be prepared. The PEP Memorandum should address the following: <ul style="list-style-type: none"> • Proposed Scope of examination • Interim activity if pertinent to scoping strategy • Issues to be investigated or areas to be targeted, and reasons why • Areas where only limited testing is deemed necessary, and reasons why |
| 9. | Coordinate with Division of Supervision (DOS) personnel regarding concurrent examinations.

<i>NOTE: Coordination with DOS personnel regarding concurrent examinations is assumed to have been initiated during examination scheduling and prior to the start of PEP procedures. During PEP, requests for information from the financial institution, and the collection of other data, should be coordinated with DOS personnel to eliminate duplication.</i> |
| 10. | If during PEP, examiners perform specific regulation related tasks (for example, a review of disclosures for compliance with Regulation E) these hours should be included under the regulation, not PEP. PEP hours are reserved for the actual planning and scoping of an examination. |

MONITORING SYSTEM

Monitoring System

1. The FOS must establish a monitoring system to ensure timely return of requested information from financial institutions.

This system should show when PEP packages were mailed, when they are due, and when they are received in the field office.

WORKPAPER STANDARDS

Examiners must include PEP documents in the examination workpapers.